

Message Text

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ORIGIN AF-18

INFO OCT-01 ISO-00 EB-11 AGR-20 COME-00 AID-20 DODE-00

CIAE-00 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 L-03

EUR-25 STR-08 SS-20 NSC-10 PRS-01 USIA-15 CIEP-02

FRB-02 SPC-03 /177 R

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AF - DDNEWSOM (SUBS)

----- 021571

R 022120Z NOV 73

FM SECSTATE WASHDC

TO AMEMBASSY TANANARIVE

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E.O. 11652: N/A

TAGS: PFOR MA US

SUBJECT: GOMR REQUEST FOR ASSISTANCE IN FINANCING RICE
IMPORTS

1. SUMMARY--MALAGASY AMBSSADOR SAYS GOMR IN PROCESS
OF PURCHASING 60,000 TONS OF RICE FROM US COMMERCIAL
SOURCES FOR CASH. TOTAL SHORTFALL BETWEEN NOW AND
NEXT HARVEST IS 200,000 TONS. GOMR WOULD LIKE USG
CONCESSIONAL ASSISTANCE IN FINANCING ADDITIONAL RICE
PROCUREMENT IN US ABOVE 60,000 TONE PURCHASE FOR CASH.
OUTLOOK FOR ASSISTANCE NOT HOPEFUL. END SUMMARY.

2. DURING AMBASSADOR RAHARIJOANA'S CALL ON ASSISTANT
SECRETARY NEWSOM NOVEMBER 1, HE PROVIDED FOLLOWING
RUNDOWN ON GOMR ATTEMPTS TO PURCAHSE RICE IN ORDER TO
MAKE UP 200,000 TON SHORTFALL.

3. NORMAL RICE PRODUCTION IN MADAGASCAR IS 1.4 MILLION

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TONS PER ANNUM. THIS IS USUALLY SUPPLEMENTED BY ANNUAL

IMPORTS OF ABOUT 50-000 TONS HANDLED BY FRENCH IMPORTING HOUSES IN TANANARIVE. TRADITIONAL SOURCES OF 50,000 TON IMPORTS HAVE BEEN VARIED INCLUDING HONG KONG, THAILAND AND VENEZUELA.

4. MAY, 1973 RICE HARVEST WAS ONLY 1.2 MILLION TONS FOR COMBINATION OF REASONS INCLUDING UNUSUALLY SEVERE

MONSOON RAINS AND DECREASE IN INCENTIVES TO PEASANT FARMERS. LATTER DUE TO ABOLITION OF PEASANT TAXES AND MAINTENANCE OF LOW PRICE FOR RICE. RATHER THAN GO THROUGH REGULAR INTERMEDIARIES, GOMR DECIDED PURCHASE 200,000 TONS OF RICE DIRECTLY IN ORDER SAVE TIME AND MONEY. RECENT INCREASE IN PRICE OF RICE HAS MOTIVATED FARMERS TO PLANT MORE RICE, BUT THIS BENEFIT WILL NOT BE AVAILABLE UNTIL MAY, 1974.

5. GOMR PURCHASED 30,000 TONS OF RICE FROM VENEZUELA IN AUGUST, 1973. GOMR EMBASSY WASHINGTON HAD BEEN NEGOTIATING WITH US BROKER FOR ADDITIONAL 30,000 TONS OF NUMBER 5 GRAIN MEDIUM 25 PERCENT BROKEN AT A PRICE OF 374 DOLLARS PER TON FOB. NEGOTIATIONS WERE BROKEN OFF BY GOMR LAST WEEK IN OCTOBER WHEN IT BECAME APPARENT TO THEM THAT BROKER WAS UNABLE TO DELIVER.

6. GOMR HAD GONE SO FAR AS TO TRANSFER 11.2 MILLION DOLLARS TO US BANK FOR CASH PAYMENT AND HAD SENT TWO SHIPS TO VENEZUELA TO LOAD THE RICE. GOMR HAS THEREFORE LOST FIVE WEEKS AND THE COST OF UNNECESSARY SHIP CHARTERS BECAUSE DEAL FELL THROUGH. (FYI - NAME OF US BROKER IN ABORTED DEAL IS AFAMCO OF WASHINGTON, D.C.). GOMR NOW EXAMINING OTHER OFFERS, BUT PRICES RANGE FROM 475 DOLLARS TO 550 DOLLARS PER TON CIF.

7. RAHARIJOANA SAID GOMR OBJECTIVE IS TO PURCHASE 60,000 TONS FROM US COMMERCIAL SOURCES USING THEIR OWN FOREIGN EXCHANGE. GOMR WOULD BE SEEKING USG ASSISTANCE TO HELP FINANCE AS MUCH OF ADDITIONAL REQUIREMENT AS POSSIBLE IN VIEW MAJOR FOREIGN EXCHANGE DRAIN REPRESENTED BY 60,000 TON CASH PURCHASE. LIMITED OFFICIAL USE

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8. NEWSOM SAID SUCH REQUEST WOULD POSE TREMENDOUS PROBLEM FOR US AND OUTLOOK NOT HOPEFUL. END MEMCON.

9. IN VIEW RAHARIJOANA'S STATEMENT ABOUT NASA RENEWAL NEGOTIATIONS (SEPTTEL), IT SEEMS CLEAR THAT RATSIRAKA'S SHORT STAY IN NEW YORK LAST WEEK WAS RELATED TO DISASTROUS NEGOTIATIONS WITH AFAMCO. KISSINGER

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